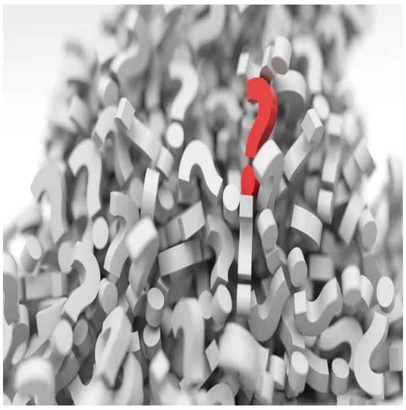

Fortis Inc. vs. Emera Inc.: Which Dividend Stock Is the Better Buy Today?

Description

Power and gas utilities are my favourite stocks due to their stability and growing dividend payouts. If you're buy-and-hold type investor, you should definitely keep a couple of solid utility stocks in your portfolio.

Let's look at Emera Inc. (TSX:EMA) and **Fortis Inc.** (TSX:FTS)(NYSE:FTS) to find out which dividend stock is offering the best value for your dollars today.

Emera

Emera is a Halifax, Nova Scotia-based utility that's growing its operations in North America and the Caribbean. The company makes the majority of its adjusted earnings from rate-regulated businesses. Regulated earnings growth is expected to support the company's 8% per year dividend growth target through 2020.

Investors have been excited about the Emera's growth prospects since it completed its acquisition of TECO Energy, Inc. in 2016. The combination created an entity that's among the top 20 North American regulated utilities.

While announcing its fourth-quarter earnings last month, Emera reported that its TECO operations have been fully integrated, with some of its utilities achieving a record growth in profits. The percentage of Emera earnings from its regulated businesses increased to more than 90% in 2017, thus demonstrating the impact of its TECO acquisition. During the fourth quarter of 2017, Emera reported a 25% jump in its adjusted earnings to $0.64 a share.

Trading at $40 at the time of writing, Emera's shares are now trading 19% down from the 52-week high — a performance that reflects the general weakness in the utility stocks. However, Emera now yields a juicy 5.25% — a higher dividend yield than its five-year average of over 4%.

Emera aims to grow its dividend by 8% per year through the end of 2020, with a reasonable target payout ratio of 70-75%.

Fortis

St. John's-based Fortis Inc. is another utility with a diversified asset base. The company provides electricity and gas to 3.2 million customers in the U.S., Canada, and the Caribbean countries, with its U.S. operations accounting for 59% of its regulated earnings.

Like Emera, Fortis also focuses on organic growth model by acquiring assets away from its home base. Fortis acquired ITC Holdings Corp., a Michigan-based electricity transmission company, for US$11.3 billion, partnering with Singapore sovereign wealth fund GIC Private Ltd.

Last month, Fortis said that the ITC deal helped increase cash flow from operating activities, which rose 46% to $2.8 billion in the quarter. The company reported a 65% jump in the net earnings attributable to common equity shareholders to $963 million for 2017, or $2.32 per share, when compared to 2016.

With an annual dividend yield of 3.78%, Fortis stock has recouped some of its losses during the recent sell-off in utility stocks. Trading at $43.04 at the time of writing, the stock is down about 12% from its 52-week high. The company plans to hike its $1.7 a share annual payout by 6% through 2021.

Which one is a better buy?

Both stocks are solid dividend growers and suitable for income investors who plan to keep them in their portfolio over the long term. Looking at the valuations, I think Emera offers better value today with a greater chance of capital gains.

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